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December 18, 2007

AGENDA ITEM 5

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. SUBJECT:** Interim Board Health Benefits Consultant Report
(Watson Wyatt)
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Information Only
- IV. INTRODUCTION:**

At the November 14, 2007, Health Benefits Committee Meeting, Watson Wyatt outlined its progress on the subject areas requested by the CalPERS Board of Administration (Board). Watson Wyatt also summarized their findings relative to interviews conducted with seven Board members and/or their representatives. Watson Wyatt presented verbal preliminary findings on five assigned subject areas, listed below, and promised to follow with formal "opinion letters," as appropriate. These opinion letters, which are the subject of this agenda item, conclude the formal assignments given to the CalPERS Interim Board Consultant. The subject areas with formal opinion letters are:

- Constituent outreach (opinion letter attached)
- Rate negotiation process and strategy (opinion letter attached)
- Unified health and disease management initiative (opinion letter attached as part of agenda item 8)

Watson Wyatt will review these opinion letters as part of agenda item 5 and 8, respectively. In addition, Watson Wyatt has addressed two more subject areas:

- Use of the data warehouse in rate negotiations (opinion letter to be reviewed in closed session)
- Unified pharmacy benefit management initiative (no opinion letter has been issued, rather, Watson Wyatt's comments from the November 14, 2007 Health Benefits Committee Meeting have been shared with Staff in order for Staff to incorporate them into their work).

The final subject area is the Single Party Administrator RFI study. Watson Wyatt understands that the Board will hear a process update on December 18, 2007, and therefore there is no opinion to be rendered at this time.

V. STRATEGIC PLAN:

This directly relates to Goal X of the strategic plan: Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

VI. RESULTS/COSTS:

The CalPERS costs associated with this item are included in the annual budget of the Health Benefits Branch.

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Attachments